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In the

Supreme Court of the United States

OCTOBER TERM, 1941

No. 75.

B. B. CHEMICAL CO.,
Petitioner,

v.

ELMER A. ELLIS
AND
MAGIC TAPE COMPANY,
Respondents

BRIEF FOR PETITIONER.

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BRIEF FOR PETITIONER.

The decision of the Circuit Court of Appeals for the First Circuit herein is reported at 117 Fed. (2d) 829; it also appears at Tr. page 261. The decision of the District Court is reported at 32 Fed. Supp. 690 and also appears at Tr. page 18.

The case is before this Court pursuant to a writ of certiorari granted by this Court under authority conferred by Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925.

Emphasis in this brief is ours unless otherwise indicated.

For simplicity we refer to the petitioner herein as plaintiff and to respondents as defendants, these being the original positions of the parties in the case, respectively.

STATEMENT OF CASE.

This is a suit for infringement of Ellis patent No. 1,830,428. The patent is for a method of reinforcing insoles in shoe manufacture (Plffs. Ex. 1; Tr. p. 238). Claim 4 is in suit.

It should be emphasized at the outset that this suit is brought against the inventor of the patented process, Ellis, from whom the plaintiff bought the patent; and that it is brought because Ellis, through the instrumentality of his personally owned corporation, the co-defendant Magic Tape Company, has instigated, promoted, aided and abetted, for profit, the use by shoe manufacturers of a process which Ellis devised in the hope of avoiding the patent which he had sold to the plaintiff.

The principal feature of the infringing process which Ellis relied on as distinguishing it from the process of the patent was that in the infringing process Ellis provided in the adhesive-applying units which he supplied to shoe manufacturers a small heating element which he claimed improved the operation, but which the Courts below found, in effect, to be a mere functionless sham (District Court Opinion, Tr. pp. 26, 28; Court of Appeals Opinion Tr. p. 267).

In connection with their other activities defendants supply certain unpatented materials (duck and adhesive) to shoe manufacturers for use in carrying out the infringing process, but this circumstance is not the occasion for this suit. *The same relief now sought should be granted if defendants had never sold any materials whatsoever.*

The invention of the patent was made by the defendant Ellis, who sold it to the plaintiff B. B. Chemical Co. for $8,000 (Tr. p. 19).

Validity of the patent was admitted.

"No question of the validity of the plaintiff's patent is here involved. *The defendants admitted its validity.* . . ." (Opinion, Tr. p. 265.)

The Court of Appeals, like the District Court, found that defendant Ellis and defendant Magic Tape Company (Ellis and his wife own 24 of the 25 shares of stock of this company, Tr. pp. 51; 261) had infringed the patent (Tr. pp. 266; 27).

Notwithstanding the fact that the Court found that defendants had infringed an admittedly valid patent, relief was denied on the ground that the plaintiff's method of doing business under its patent precluded relief under the doctrine of *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458.

The Ellis Patent.

The process of the Ellis patent accomplishes the attachment to an insole, by the use of adhesives, of a reinforcing fabric such as duck. We quote the claim in suit below.*

According to the method disclosed in the patent, the reinforcing fabric is precoated with a base coating of cement having a substantial rubber content; this base coating is dried and the precoated duck then slit into proper widths; just before the reinforcing operation, a second, or "top" coating of adhesive, also containing a relatively large amount of rubber, is applied to the precoated surface of the duck, and the duck, thus provided with a dried "pre-coat"

* "4. That improvement in methods of reinforcing insoles which comprises applying, at room temperature, to a strip of reinforcing material provided with a dry coating of a cement having a substantial rubber content, a coating of adhesive containing a relatively large amount of rubber and of such a character that it will be effective even when freshly applied to cause quick adhesion of the reinforcing material and the material of the insole, and applying to each other, still at room temperature, a portion of the coated strip and the insole to be reinforced."

and a superimposed "top" coat, is then applied, at room temperature, to the insole to be reinforced.

Defendant Ellis testified that the process of the patent is "*a great improvement over anything that had been available" previously* (Tr. p. 155, XQ. 99).

Defendants' Infringing Acts.

Defendants are and have been since 1938 engaged in actively inducing shoe manufacturers to practice their infringing process, and constantly aiding and abetting such infringement. They not only furnish to such manufacturers materials suitable for use in the practice of the process, and machines which they make and lend to the manufacturers for use in applying the adhesive to the precoated duck, but they also provide the infringing manufacturers with "instruction to operators, servicing of machines, and advice and assistance in the reinforcing operation" (Stipulation, Rec. p. 48).

Defendants have a representative, Hawley, who is "in and out" of the shoe factories where defendants have caused the infringing process to be put into use and have installed their machines, assisting in the conduct of the infringing operations; Hawley has "to keep chasing around all the time from place to place, trying them out, seeing how they are working", etc. (Tr. p. 134).

As the Court says (Majority Opinion, Tr. p. 268), defendants

> "induce their customers to use such infringing processes and indirectly receive their profit from such infringing use. There can be no doubt that they are contributory infringers."

And the minority opinion adds (Magruder, J., Tr. p. 272) that defendants

> "are engaged in actively inducing unlicensed shoe

> manufacturers to practice the process. They furnish to such manufacturers the machines, the precoated duck and the adhesive top coat, all especially designed and prepared for this particular use, and, in addition, they furnish 'instruction to operators, servicing of machines, and advice and assistance in reinforcing operations' ".

For these services and materials defendants make a single charge to the shoe manufacturer, at a rate per web yard of duck precoated by them and supplied to the manufacturer (Stip. Tr. p. 48).

The statement in the majority opinion of the Court of Appeals (Tr. p. 261) that

> "The defendants are charged with infringing the plaintiff's patent by selling materials to shoe manufacturers for use in an allegedly infringing process"

is utterly misleading, as the passages from the opinions above cited show.

The infringement with which defendants are charged and against which relief is sought *is not a mere sale of materials.* Defendants are alleged in the complaint (Tr. p. 3), and shown by the evidence, to have infringed

> "by causing, assisting in, and contributing to the practice of said patented method by others".

The same relief now sought should be granted if defendants had never sold a yard of duck or an ounce of adhesive, but had left the shoe manufacturers with whom they collaborate to provide their own materials.

Plaintiff's Method of Business.

The plaintiff's method of doing business, because of which relief was denied herein, was stated by the Court of Appeals as follows (Tr. pp. 263, 264):

> "The plaintiff's manner of conducting its business was to supply shoe manufacturers with the pre-coated duck in strips of suitable width; if desired, the manufacturers supplied the duck and the plaintiff pre-coated and slit it. The plaintiff also supplied the adhesive top coat to be applied to the pre-coated fabric at the shoe factory, just prior to the application of the reinforcing material to the insole. The plaintiff further supplied its own patented machines suitable for use in applying the adhesive to the pre-coated duck, such machines being and remaining the property of the plaintiff. The plaintiff instructed the machine operators, serviced the machines, and advised and assisted in the reinforcing operations. As compensation for the foregoing, the plaintiff made a single charge to the shoe manufacturer, at a rate per web yard of duck supplied to the manufacturer; and, if the manufacturer did not furnish the duck, the price of that material was added to the charge. The adhesives used by the plaintiff in pre-coating have all had a large rubber content but were made according to different formulae, with special reference to the purpose for which the material was to be used. *The plaintiff did not grant written licenses to shoe manufacturers to use its process, nor was any such license ever requested. Neither by notice nor agreement in any form with its customers did the plaintiff require them to use only the plaintiff's material. The plaintiff adopted the foregoing method of utilizing the patented process because it deemed it the most practical.*" *

* All the foregoing facts also appear in the findings of the District Court (Tr. p. 25; Finding 11).

On this state of facts the Court of Appeals held, on the supposed authority of *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458, and *Carbice Corporation* v. *American Patents Development Corp.*, 283 U.S. 27, that plaintiff was debarred from enforcing its patent even against the man who sold the patent to the plaintiff, and who, as the Court found, was deliberately infringing that admittedly valid patent.

It is important to add that the nature of the process here involved is such that it is not practicable for the plaintiff to conduct it throughout in its own factory, selling the reinforced insoles produced thereby to shoe factories.

As Judge Magruder said (Tr. p. 274):

> "*As a practical matter the final reinforcement of the insoles, in accordance with the patented process, must be done in the shoe factories.*"*

There is no dispute of this fact.

The reason for the denial of relief by the Court was merely the fact that plaintiff, while conducting its business as aforesaid, had not granted to shoe manufacturers licenses under the patent on a royalty basis.

Yet it was expressly found (*supra*, p. 6) that no shoe manufacturer had ever requested such a license.

Also the uncontradicted evidence was that shoe manufacturers do not desire to practice the process under the obligations of a royalty-bearing license and could not be expected to take such licenses. This is the unchallenged

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* Different shoe manufacturers have different lasting patterns and use different grades of leather. Moreover, these patterns are changed frequently. If plaintiff were to carry on all steps of the patented process at its own factory and supply reinforced insoles produced thereby to the trade "we would have to go on the market and buy up sole leather of all grades to take care of all these various grades of shoes that are made"; and, even so, the procedure would be entirely impracticable on account of delays in supplies and transportation (Clifford, Tr. p. 81).

testimony of Clifford, who explains the reasons for it at Q. 7, Tr. page 80.

And, as appears from the opinion (Tr. p. 274), counsel for plaintiff at the oral argument stated in open court that plaintiff would be willing to grant such licenses to shoe manufacturers.

The Majority and Minority Opinions in the Court Below.

Two opinions were rendered by the Court of Appeals, the majority opinion written by Mahoney, J. and a concurring minority opinion by Magruder, J. Both opinions agreed that relief should be denied on the authority of the *Leitch* case, and for the same ultimate reason, to wit, the fact that plaintiff's manner of using its patent includes the supplying to shoe manufacturers of precoated duck and topcoat adhesive for use in carrying on the patented process at the shoe factories, coupled with the fact that plaintiff has not granted licenses to shoe manufacturers which would, in terms, allow them to purchase these materials from any source.

Both opinions agree that if plaintiff had granted such licenses, it would be entitled to relief in this case, but they treat as of no importance the fact that no such licenses have ever been requested, the fact that the uncontradicted evidence is that shoe manufacturers do not wish to operate under such licenses, and the fact that plaintiff in open court expressed its willingness to grant such licenses (Tr. p. 274).

The two opinions differ in their interpretations of the doctrine of the *Leitch* case.

The majority opinion regards that doctrine as applicable only to suits against *contributory*, as distinguished from *direct*, infringers, and, therefore, finds it necessary to consider the question whether these defendants are direct or only contributory infringers and to hold that they are contributory infringers (Tr. pp. 267, 268).

The minority opinion expresses the view that the rule of the *Leitch* case applies to cases of direct as well as to cases of contributory infringement, and says (Tr. p. 272) that

> "Certainly, if the shoe manufacturers as direct infringers would be liable to the plaintiff, ordinary principles of tort liability would require us to hold the defendants liable as joint tortfeasors."

The concurring minority opinion says (Tr. pp. 274, 275) that plaintiff would be entitled to relief (1) if it had "laid the patent on the shelf", neither practicing the process itself nor licensing others to do so; or (2) if it had practiced the patented process itself in its own plants and sold to shoe manufacturers the reinforced insoles ready for insertion in the shoes (an admittedly impracticable procedure, *supra*, p. 7); or (3) if it had licensed shoe manufacturers to use the process on a royalty basis, leaving them free to buy the materials from any source.

In our view both opinions misinterpret the rule laid down in the *Leitch* and *Carbice* cases, for reasons which we shall explain below.

THE ERRORS ASSIGNED.

The errors alleged in the Court of Appeals decision reside in the Court's failure to order a decree for an injunction and accounting; in its holding that the plaintiff must be denied relief because of plaintiff's method of business; and in its holding that the decisions of this Court in *Leitch Mfg. Co.* v. *Barber Co., supra,* and *Carbice Corp.* v. *American Patents Development Corp., supra,* require the denial of relief under the circumstances here presented.

ARGUMENT.

OUTLINE OF ARGUMENT.

We shall first discuss the decisions in the *Carbice* and *Leitch* cases, and show

(a) that these decisions only hold that when a patentee who derives income from his invention only by selling unpatented materials for use in his patented process or in the manufacture of his patented combination, sues a competitor who does nothing more than sell such unpatented materials, he is attempting to use his patent for the purpose of obtaining a monopoly in unpatented materials and cannot prevail;

(b) that the principle of those decisions has no applicability to a case such as this in which defendants are flagrant infringers whose acts go far beyond any mere sale of materials; and

(c) that to stretch the doctrine of the *Leitch* and *Carbice* cases, as the Court of Appeals has done in this case, involves palpable inconsistencies and consequences which cannot be supported on any sound legal principle.

THE DECISIONS OF THIS COURT IN THE LEITCH CASE AND IN THE CARBICE CASE.

We now turn to a consideration of the decision of this Court in *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458, upon which the Court of Appeals based its decision, and, since the decision in the *Leitch* case was based on the earlier decision of this Court in *Carbice Corp. of America* v. *American Patents Development Corp.*, 283 U.S. 27, we shall first discuss the *Carbice* case.

The Carbice Case, 283 U.S. 27.

In the *Carbice* case the patent was "for a particular kind of package employing solid carbon dioxide ['Dry Ice'] in a new combination" (p. 30). Solid carbon dioxide is a staple unpatented article of commerce (p. 29).

The sole alleged offense of the defendant was that it sold solid carbon dioxide with knowledge that the material was to be used by the purchaser in transportation packages like those covered by the patent (p. 30).

The sole business of the plaintiff, Dry Ice Corporation, exclusive licensee under the patent, was the manufacture and sale of this solid carbon dioxide (pp. 29, 30).

It appeared that the Dry Ice Corporation attached to each invoice of solid carbon dioxide sold by it a notice to the effect that the material was not to be used except in apparatus provided or approved by it and that apparatus provided or approved by it could be refrigerated only with its "Dry Ice", the notice adding that these uses of dry ice were covered by the patent in suit (p. 30).

The Court denied relief.

The Court said (p. 29):

> "*The patent in suit is not for solid carbon dioxide.*"

At pp. 31–32 the Court said that a patent owner

> "may not exact as a condition of a license that unpatented materials used in connection with the invention shall be purchased only from the licensor; and if it does so, *relief against one who supplies such unpatented materials will be denied.* The limited monopoly to make, use, and vend an article may not be 'expanded by limitations as to materials and supplies necessary to the operation of it' ". *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502, 515. . . .

"The relief here sought is indistinguishable from that denied in the *Motion Picture* case. There, it was held that to permit the patent owner 'to derive its profit, not from the invention on which the law gives it a monopoly, but from the unpatented supplies with which it is used', is 'wholly without the scope of the patent monopoly'."

. . . . .

"The attempt to limit the licensee to the use of unpatented materials purchased from the licensor is comparable to the attempt of a patentee to fix the price at which the patented article may be resold (citing cases). In both classes of cases courts deny relief *against those who disregard the limitations sought to be imposed by the patentee beyond the legitimate scope of its monopoly.*"

Continuing, the Court said (pp. 33–34):

"Infringement, whether direct or contributory, is essentially a tort, and implies invasion of some right of the patentee. . . . *The Dry Ice Corporation has no right to be free from competition in the sale of solid carbon dioxide. Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly;* and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used. *Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention.* The present attempt is analogous to the use of a patent as an instrument for restraining commerce which was condemned, under the Sherman Anti-Trust law, in

Standard Sanitary Mfg. Co. v. *United States*, 226 U.S. 20."

On rehearing (283 U.S. 420) the Court held the patent in suit in the *Carbice* case invalid for anticipation and said that in the original decision it had found it unnecessary to determine the validity of the patent

> "because we held that the bill should be dismissed on the ground that the owner of a patent may not limit its use so as to require that *unpatented materials* employed in practicing the invention shall be purchased only from the licensor."

The Leitch Case, 302 U.S. 458.

In the *Leitch* case the facts were essentially similar to those in the *Carbice* case except that it did not appear that the plaintiff had issued such notices as were proved in the *Carbice* case.

In the *Leitch* case the patent covered a process of curing concrete which included the use of bituminous emulsion to form a film on the surface of a concrete roadway, to retard evaporation during curing (p. 460).

Bituminous emulsion, like solid carbon dioxide, is an "unpatented staple article of commerce produced in the United States by many concerns and in common use by their customers for many purposes" (p. 460).

Here, as in the *Carbice* case, the only offense charged against the defendant was the mere sale of bituminous emulsion to a road builder, the defendant knowing that it was to be used by the purchaser in infringement (p. 460).

And here, again as in the *Carbice* case, the plaintiff's sole activity in relation to the patented process was the manufacture and sale to road builders of bituminous emulsion (p. 460).

The Court denied relief, holding that the case was governed by the *Carbice* case.

The Court said (p. 459):

> "*The question for decision is whether the owner of a process patent may by suit for contributory infringement suppress competition in the sale of unpatented material* to be used in practicing the process."

The Court then pointed out that the Barber Company had brought the suit against the defendant Leitch "to enjoin the alleged contributory infringement of" the patent in suit "by selling and delivering bituminous emulsion to a road builder, knowing that it was to be used in Newark in accordance with the method defined in the claims of the patent".

The Court said (p. 460) that the plaintiff and the defendant were

> "competing manufacturers of bituminous emulsion—an unpatented staple article of commerce produced in the United States by many concerns and in common use by their customers for many purposes";

and that one use of this material was for a film on the surface of a roadway to retard evaporation during curing.

The Court then continued (pp. 460–461):

> "For the method of so retarding evaporation The Barber Company acquired the process patent sued on, and seeks to use it to secure a limited monopoly in the business of producing and selling the bituminous material for practicing and carrying out the patented method. The company does not itself engage in road building, or compete with road contractors. It does not seek to make road builders pay a royalty for employing the patented method. It does not grant to road

builders a written license to use the process. But it adopts a method of doing business which is the practical equivalent of granting a written license with a condition that the patented method may be practiced only with emulsion purchased from it. For any road builder can buy emulsion from it for that purpose, and whenever such a sale is made, the law implies authority to practice the invention. *On the other hand The Barber Company sues as contributory infringer a competing manufacturer of this unpatented material who sells it to a road builder for such use. Thus, the sole purpose to which the patent is put is thereby to suppress competition in the production and sale of staple unpatented material for this use in road building.*"

Continuing, the Court said (p. 461):

"*That the patent did not confer upon The Barber Company the right to be free from competition in supplying unpatented material* to be used in practicing the invention was settled by the rule declared in the *Carbice* case. That suit was likewise one to enjoin an alleged contributory infringer."

After stating the facts in the *Carbice* case and quoting from the decision in that case, the Court stated and overruled the contention of The Barber Company to the effect that the rule of the *Carbice* case was not applicable because Barber had not entered into any contract or agreement aimed at expansion of the patent monopoly. The Court concluded (p. 463):

"The distinction upon which The Barber Company thus rests is without legal significance. The Court held in the *Carbice* case that *the limitation upon the scope or use of the patent which it applied was 'inherent in*

the patent grant'. It denied relief, not because there was a contract or notice held to be inoperative, but on the broad ground that the owner of the patent monopoly, *ignoring the limitation 'inherent in the patent grant'*, sought by its method of doing business to extend the monopoly to *unpatented material* used in practicing the invention. *By the rule there declared every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited.* It applies whether the patent be for a machine, a product, or a process. It applies whatever the nature of the device by which the owner of the patent seeks to effect such unauthorized extension of the monopoly. Nothing in *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U.S. 325, limits it."

THE BASIS OF THE DECISIONS IN THE CARBICE AND LEITCH CASES.

The fundamental basis of the decisions in the *Carbice* and *Leitch* cases was *the fact that the defendants in those cases did nothing more than sell unpatented materials* (in the one case solid carbon dioxide, and in the other case bituminous emulsion). From this fact, coupled with the fact that plaintiff was itself doing nothing but sell unpatented materials, it followed that plaintiff was attempting to use its patent merely to suppress competition in the sale of unpatented materials.

In the *Carbice* case the Court said (283 U.S. at 31) that

> "relief *against one who supplies such unpatented materials will be denied*".

The Court said (283 U.S. at p. 33):

> "*The Dry Ice Corporation has no right to be free from competition in the sale of solid carbon dioxide.*

> *Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly;* and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used."

And relief was denied, as the Court continued to say (p. 33):

> *"because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention."*

Turning now to the *Leitch* case, we find that the opinion begins (302 U.S. at p. 459) by stating the question at issue as follows:

> "The question for decision is whether the owner of a process patent may by suit for contributory infringement *suppress competition in the sale of unpatented material* to be used in practicing the process";

and, in the *Leitch* case, referring to the *Carbice* case, the Court said (302 U.S. at p. 461):

> *"That the patent did not confer upon The Barber Company the right to be free from competition in supplying unpatented material to be used in practicing the invention was settled by the rule declared in the Carbice case."*

Applying the principle of the *Carbice* case to the facts in the *Leitch* case, the Court said (p. 461):

> "On the other hand the Barber Company *sues as contributory infringer a competing manufacturer of this unpatented material who sells it to a road builder for*

> *such use. Thus, the sole purpose to which the patent is put is thereby to suppress competition in the production and sale of staple unpatented material* for this use in road building."

Relief was denied in the *Leitch* case, as in the *Carbice* case, because, as the Court said (p. 463):

> "*By the rule there* [in the *Carbice* case] *declared every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited.*"

These passages make it abundantly clear that relief in both cases was denied because the plaintiff in each case was attempting, without sanction of law, to use its patent as a means of obtaining a monopoly of materials which were not within the scope of the monopoly granted by the patent: *and this conclusion followed from two co-existing facts, both of which were necessary to the conclusion. These were, first, the fact that the plaintiff was engaged only in the business of selling the unpatented materials; and, second,* **the fact that the defendant was doing nothing more than selling such materials.**

It was because the defendant was trespassing on no monopoly to which the patent extended that the plaintiff was seeking "*without sanction of law*" to extend its monopoly. If the defendant had been a true infringer—for example one who was engaged himself in carrying out the patented process or manufacturing the patented combination, or one who was aiding and abetting another in such manufacture, the patentee's effort to restrain him would *not* have been "without sanction of law"; and would *not* have been seeking to extend his monopoly beyond its true scope.

It was only because the plaintiff was trying, by virtue of a patent which did not cover the materials which the de-

fendant sold, to enjoin a competitor who did nothing more than sell those unpatented materials, that the plaintiff was employing its patent "to secure a limited monopoly of unpatented materials", and was seeking relief to which it had no right, namely, freedom from competition in the sale of these materials.

When the Court said in the *Leitch* case (302 U.S. at 463) that it had denied relief in the *Carbice* case because the owner of the patent mopopoly in that case, "*ignoring the limitation 'inherent in the patent grant'*, sought by its method of doing business to extend the monopoly to unpatented material used in practicing the invention", it was stating the same point. The "method of doing business" thus mentioned was, of course, not the mere practice of the patent owner of selling unpatented materials for use in the patented process. Merely selling unpatented materials is plainly not, of itself, seeking to obtain or to extend any monopoly whatever. Nor does a patentee who merely sells unpatented materials "ignore the limitation inherent in the patent grant". The "method of doing business" by which the patentees in the *Leitch* and *Carbice* cases sought to extend the monopoly to cover unpatented material *included, as a vital and necessary element, the fact that the plaintiff brought suit against a defendant who was doing nothing more than compete with him in the sale of unpatented material.*

It was only because the plaintiff was suing one who merely sold such unpatented materials that he was

> "ignoring the limitation 'inherent in the patent grant' ",

and attempting, "without sanction of law" to exercise a claimed right which the patent did not give him, a right to suppress competition in unpatented materials.

We respectfully submit, then, that the principle announced in the Leitch case, as in the Carbice case, is only the principle that a patent owner who derives his income solely from the sale of materials for use in his patented process or combination may not, under guise of a suit for contributory infringement, prevent another from merely selling unpatented materials (even though the vendor knows that his vendee intends to use them in infringement); and that the doctrine has no applicability to a case where the defendant is a direct infringer, or where he is actively aiding and abetting acts of infringement of another otherwise than by merely selling unpatented materials.

THE VITAL DIFFERENCE BETWEEN THE PRESENT CASE AND THE LEITCH AND CARBICE CASES WITH RESPECT TO DEFENDANTS' ACTS.

The first vital difference between the *Carbice* and *Leitch* cases on the one hand, and the present case on the other, is that in the *Carbice* and *Leitch* cases the defendants had done nothing but sell staple unpatented materials, whereas in the present case the defendants are found by the Court to have been violating plaintiff's patent rights by *active inducement of infringement, and cooperation in infringing acts of shoe manufacturers for their own profit.*

The finding of infringement here is based upon the fact that defendants "induce their customers to use such infringing processes and indirectly receive their profits from such infringing use" (Majority Opinion, Tr. p. 268); that they are "engaged in actively inducing unlicensed shoe manufacturers to practice the process" (Magruder, J., Opinion, Tr. p. 272); and that they are aiding and abetting infringement by shoe manufacturers in all of the following ways:

(a) *Defendants apply a pre-coat of rubber cement to the duck fabric, which, after drying the pre-coat and slitting the precoated fabric into strips of suitable width for the reinforcing operation, they supply to their customers. Thus, defendants themselves perform the first two steps in carrying out the process disclosed in the patent* (although these steps are recited in the claim in suit only by implication) (Tr. p. 48; p. 163).

(*b*) *Defendants lend to shoe manufacturers the machines which are used by the manufacturers in applying the top-coat adhesive to the precoated duck at the factory. These machines belong to defendants, and they are responsible for, and profit from, the use made of them* (Tr. p. 48).

(*c*) *Defendants induce shoe manufacturers to embark upon their infringing operations, and are continually aiding and abetting their infringement by giving instructions to operators, servicing the machines and giving advice and assistance in the infringing reinforcing operations* (*supra*, pp. 4, 5).

The nature of defendants' infringing acts was stated by Magruder, J. in the following language (Tr. p. 272):

> "The defendants have certainly participated more directly and intimately in the infringing process than did the defendant in *Leitch Mfg. Co.* v. *Barber Co.*, 302 U.S. 458, where all it did was to sell to road contractors a staple unpatented article (bituminous emulsion) with knowledge that a small proportion of it would be used by the infringing contractors in practicing the patented process. *Here the defendants are engaged in actively inducing unlicensed shoe manufacturers to practice the process. They furnish to such manufacturers the machines, the precoated duck and the adhesive top coat, all especially designed and prepared for*

this particular use, and, in addition, they furnish 'instruction to operators, servicing of machines, and advice and assistance in reinforcing operations'. Certainly, if the shoe manufacturers as direct infringers would be liable to the plaintiff, ordinary principles of tort liability would require us to hold the defendants liable as joint tortfeasors."

In the present case, then, the plaintiff is *not* "ignoring the limitation inherent in the patent grant" (*Leitch* case, p. 463) either by bringing this suit or in any other way. It is *not* suing defendants who merely sell unpatented materials, but defendants who have been adjudged to have violated its legal monopoly by aiding, abetting and cooperating with shoe manufacturers in the conduct of the process which is the subject of that monopoly.

As we have repeatedly stated, plaintiff's cause of action here is entirely independent of defendant's practice of supplying materials to shoe manufacturers. The suit would be maintainable had defendants not supplied anyone with any materials whatsoever; and the relief here sought would not extend to the prevention of mere sales of unpatented staple materials, unaccompanied by other acts of infringement.

Obviously the defendants ought not to be allowed to escape the consequences of their patent infringement because, in conjunction with their admitted acts of infringement, they have supplied materials to the infringing shoe manufacturers whose operations they have instigated and supervised.

The plaintiff in this case is not attempting to use its patent in order to suppress competition in unpatented materials.

This suit is not such an attempt, because it is not a suit based upon any mere sale of unpatented materials.

In short, the fact that the plaintiff is here suing, not one whose only offense was the mere sale of unpatented materials, but definite infringers of its patent, differentiates the case completely from the *Leitch* and *Carbice* cases and makes the decisions in those cases totally inapplicable.

THE VITAL DIFFERENCE BETWEEN THE PRESENT CASE AND THE LEITCH AND CARBICE CASES AS REGARDS THE RELIEF SOUGHT.

The decision in the *Carbice* case was based on the principle of the *Motion Picture* case (*Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U.S. 502). The Court said in the *Carbice* decision (283 U.S. at p. 31) that

> "The relief here sought is indistinguishable from that denied in the *Motion Picture* case".

The relief sought and denied in the *Motion Picture* case was *an injunction against the sale of unpatented materials;* for in that case the only thing which the defendant was doing was selling unpatented articles (motion picture films) for use with a patented machine (a projector).

So also in the *Carbice* and *Leitch* cases the relief sought was an injunction *against sales of unpatented materials* (with, presumably, an accounting on account of past sales). This was the only form of relief that *could* be sought, because the sale of such materials was the sole supposed offense of the defendants.

But in the present case, quite to the contrary, the relief sought is merely *an injunction against patent infringement,* based on the allegations of the complaint (now supported by the Court's findings), that defendants have infringed plaintiff's patent

> "by practicing the method patented in said Letters Patent and by causing, assisting in, and contributing to the practice of said patented method by others, unlawfully and without license" (Complaint, Tr. p. 3).

Thus the relief here sought is totally unlike that sought either in the *Carbice* and *Leitch* cases, or in the *Motion Picture* case which furnished the guiding principle which the Court was professedly applying in the *Carbice* and *Leitch* cases.

Thus, again, we see that the fundamental basis for the *Carbice* and *Leitch* decisions is lacking in the present case, in that this suit is not a mere suit to enjoin the sale of unpatented materials, but, on the contrary, a *suit to restrain continuance of a patent infringement which the Court has found to exist.*

THE ERROR OF THE COURT OF APPEALS OPINIONS.

The vice in the decision of the Court of Appeals in this case is that it misconstrues the decisions in the *Carbice* and *Leitch* cases and applies those decisions to a situation which is not within their language, or within their *rationale.*

It assumes, without warrant, that those decisions lay down a principle which applies as well to cases of real patent infringement as to cases where it is sought to use a patent as a weapon against a competitor whose only offense is the sale of unpatented materials.

The criticism applies to the majority opinion and to the minority opinion alike, although the majority opinion calls the defendants "contributory infringers", and the minority opinion calls them "joint tortfeasors".

As we shall show, this attempt to extend the doctrine of the *Leitch* and *Carbice* cases leads to extraordinary incon-

sistencies, and to a conclusion which can be supported on no sound legal principle.

The Majority Opinion.

The reasoning of the majority opinion as to the effect of the *Leitch* and *Carbice* decisions appears confused.

After saying (Tr. p. 270) that plaintiff is not entitled by virtue of its patent to prevent anyone from precoating duck or selling adhesives for use in the patented process or supplying unpatented machines, the opinion continues to say (Tr. p. 271):

> "All that the plaintiff is entitled to do is to prevent any unlicensed person from combining these materials in the patented process *or in aiding indirectly in such infringement.*"

But this view should have resulted in a holding in the present case that plaintiff is entitled to relief, for it is clear that in this case defendants have at least "aided indirectly" in infringement of the patent by others. The majority opinion itself says (Tr. p. 268) that defendants

> "induce their customers to use such infringing processes and indirectly receive their profit from such infringing use",

and Judge Magruder, as we have pointed out (*supra*, p. 22) says that defendants

> "furnish instruction to operators, servicing of machines, and advice and assistance in reinforcing operations. Certainly, if the shoe manufacturers as direct infringers would be liable to the plaintiff, ordinary principles of tort liability would require us to hold the defendants liable as joint tortfeasors." (Tr. p. 272.)

The Minority Opinion.

Judge Magruder in his concurring minority opinion discusses the *Leitch* and the *Carbice* cases in much greater detail than does the majority opinion.

Judge Magruder seems to have doubted the propriety of a rule which would deny the plaintiff relief in the present case. He felt "obliged by the decision in *Leitch Mfg. Co.* v. *Barber Co.*" to hold that the plaintiff is debarred from relief (Tr. p. 275).

Judge Magruder's reason for thinking that "the doctrine of the *Leitch* case gives immunity" even to a direct infringer is summarized by him in the following passage (Tr. p. 272):

> "It would be a solemn farce to hold that the seller of the unpatented article cannot be enjoined from making the sale to the direct infringer for use in the process, but that the direct infringer may be enjoined from practicing the process. If the plaintiff in the Leitch case could have got an injunction against any infringing road contractors who purchased bituminous emulsion from anybody other than the plaintiff, the defendant would have been quite as effectively choked off from selling this unpatented article for use in the process as if the injunction had run against the defendant itself."

We respectfully submit that this reasoning will not bear analysis.

The difference between a suit brought against one who merely sells unpatented materials and a suit against a direct infringer, or against one who commits a contributory infringement by aiding and abetting a direct infringement

as a joint tort feasor, is that *in the one case the plaintiff is seeking to use his patent to control that which the patent monopoly does not include, while in the other case he is only seeking to enforce his legal monopoly under the patent.*

In the *Motion Picture* case this Court said (243 U.S. at 512):

> "The difference is clear and vital between the exclusive right to use the machine which the law gives to the inventor and the right to use it exclusively with prescribed materials. . . ."

So also "the difference is clear and vital" between the right to enforce a patent monopoly which the law gives to the inventor and a supposed right, under guise of a suit for infringement against a defendant who has done nothing but sell unpatented materials, to use the patent merely as a means of suppressing competition in unpatented materials.

To any extent to which enforcement of a patentee's plain legal monopoly, granted by virtue of the Constitution and the Patent Act, may tend to give the patentee control of unpatented materials, that effect is merely *an incident of the legitimate exercise of a patent right.*

No one, of course, would deny the right of the owner of a patent on a machine who is engaged in making and selling his patented machines, to enforce his patent against an infringer who manufactures an infringing machine, merely because by preventing the infringer from manufacturing the patented machines, the patentee, incidentally, prevents others from selling to the infringer materials, such as steel or copper, for use in making the machines, and, as a result, acquires for himself a complete control over staple materials used in the manufacture of the patented machine.

Yet Judge Magruder's argument about the "solemn farce" would apply to the supposed case just as truly as to the present case. His reasoning would mean that even in

such a case the patentee could not enforce his patent against the infringing manufacturer, because the patentee could not enjoin any one from selling to that manufacturer copper, wood or steel, and because an injunction against the manufacturer would incidentally have that effect.

It plainly does not follow that because a patentee may not prevent a competitor from merely selling unpatented materials, therefore he may not enforce his patent against one who violates his lawful monopoly.

ILLOGICAL CONSEQUENCES OF THE COURT OF APPEALS VIEW.

The Court of Appeals has, in effect, held that a patentee who is engaged in the sale of materials to others for use in accordance with his patented process cannot enforce his patent in the absence of proof that he has granted licenses to the interested trade on a royalty basis, on the ground that the enforcement of the patent in these circumstances might tend to give the patentee a monopoly or partial monopoly in the sale of unpatented materials.

Such a view not only grafts upon the patent law a limitation on a patentee's rights for which there is no justification in the Patent Act, but also involves strange inconsistencies and anomalous results.

(1) The Court of Appeals decision in effect adds to the Patent Act a provision requiring a patentee, as a condition of relief, to grant licenses under his patent if he is engaged in supplying materials for use in the practice of the patented process, and to grant such licenses, moreover, on terms which commend themselves to a court as reasonable. The Patent Act contains no such limitation of a patentee's rights.

(2) The Court of Appeals view also would result in highly illogical consequences.

Any control of unpatented materials which might conceivably enure to plaintiff from the enforcement of its patent right in this case would be *less extensive than the monopoly*

which would have accrued to plaintiff if plaintiff had pursued a course of business which every one agrees would have left its rights to enforce the patent unimpaired.

If the plaintiff in this case had carried out in its own factory all the steps of the patented process, and sold to shoe manufacturers throughout the country the finished reinforced insoles made by the practice of that process, not supplying any materials or machines to anyone, and granting no licenses to anyone, there would be no question of plaintiff's right to enforce its patent, as Judge Magruder points out (Tr. p. 274).

That course of business happens to be impracticable under the circumstances of the case, since, as Judge Magruder says (Tr. p. 274):

> "As a practical matter the final reinforcement of the insoles, in accordance with the patented process, must be done in the shoe factories." (*Supra*, p. 7.)

Yet if that *had* been the course of business of the plaintiff, enforcement of plaintiff's patent rights, admittedly proper in that case, would have given plaintiff *a complete monopoly on all the materials used in the practice of the patented process.* Neither the present defendants nor anyone else would have been able to sell a single ounce of adhesive nor a single yard of duck for use in the practice of the patented method of reinforcing insoles (unless they could sell it to plaintiff). Every manufacturer who desired the benefits resulting from this process would have had to buy from the plaintiff all these materials (in combined form in the finished insole), *and also all the leather used in the insoles.* Obviously, the monopoly on materials used in the practice of the patented process which the plaintiff would have obtained by this, admittedly legitimate, course of business would have extended far beyond any sort of "monopoly" which could possibly enure to it as a result of the

enforcement of its patent rights in the present circumstances.

(3) If the plaintiff had suppressed its patent, put it "on the shelf", neither making any use of it itself nor allowing anyone else to make any use of it, plaintiff would admittedly have had the right to relief in this case (*Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*, 210 U.S. 405, 422–430, cited by this Court in the *Carbice* decision, 283 U.S. at p. 31).

And so Judge Magruder says:

> "The plaintiff could have laid the patent 'on the shelf' and neither practised the process itself nor licensed others to do so. In this event, the plaintiff could have got an injunction against any direct or contributory infringer." (Tr. p. 274).

Yet if plaintiff had elected to take that course, neither these defendants nor anyone else would have been able to sell any materials whatever for use in the practice of the patented process, *for there would have been no practitioners of that process.*

The public would certainly be in as good a position as regards the sale of unpatented materials were the relief to which plaintiff is entitled in this case granted as that in which it would have been placed had plaintiff adopted the course of neither using the patent itself nor allowing anyone else to use it, as, admittedly, it might legitimately have done.

(4) The argument that plaintiff is not to be granted relief against the present infringement because the grant of relief might tend to give it a monopoly in the sale of unpatented materials overlooks the fundamental fact that *if the invention of this patent had not been made, there would have been no market whatsoever for the sale of materials for use in the patented process.* Even if an incidental result of the

decree sought in this case were to give plaintiff a complete monopoly in the sale of supplies for use in accordance with the patented process, that would be taking nothing from the public domain as it existed before the invention was made. By the invention the patentee created a new field of use for these materials, and any control of the sale of materials which might, incidentally, enure to him as a result of the enforcement of his patent would be control only over materials for use in a field which was created by the invention, and which would not have existed except for the invention.

THE SUGGESTION THAT PLAINTIFF OUGHT TO HAVE GRANTED LICENSES TO SHOE MANUFACTURERS.

Both the majority opinion and the minority opinion in the last analysis deny the plaintiff the right to relief only because the plaintiff has not granted licenses to shoe manufacturers on a royalty basis which would in terms authorize those manufacturers to obtain their materials for use in practicing the patented process from any source.

The majority opinion says (Tr. p. 270):

> "It would be perfectly practicable for the plaintiff to grant licenses for the use of its process at a yearly fee, or a royalty based on the number of yards of precoated duck or the number of gallons of top coat used, or any other suitable measure. In that way the plaintiff can exploit the patent monopoly, and only the patent monopoly, while leaving the manufacturer free to buy the unpatented materials wherever it is to his best advantage to do so."

Likewise, in the minority opinion Judge Magruder says (Tr. p. 274, paragraph (3)) that plaintiff would be entitled to relief if it had licensed shoe manufacturers on a royalty basis, its course of business otherwise remaining unchanged.

Relief was denied because no such licenses had been

granted notwithstanding the fact that, as found by the District Court and stated by the Court of Appeals (*supra*, page 6), no such license was ever requested by any shoe manufacturer; in spite of the fact that the undisputed evidence (that of plaintiff's sales manager, Tr. p. 80, Q. 7) was that shoe manufacturers do not desire to practice the process under the obligations of a royalty-bearing license and cannot be expected to take such licenses; and in spite of the further fact that, as appears from the opinion of Magruder, J. (Tr. p. 274), counsel for plaintiff at the oral argument stated that plaintiff is willing to grant such licenses.

How, we ask with all deference, can the plaintiff be expected to force licenses upon shoe manufacturers which the manufacturers do not wish? And wherein lies the justice of refusing to enforce plaintiff's patent simply because plaintiff has failed to grant licenses which no shoe manufacturer has requested?

It is, we respectfully submit, very evident that something must be wrong in reasoning which leads to such a result.

Judge Magruder in his concurring opinion says (Tr. p. 276):

> "At the oral argument it seemed to me that the method of business adopted by the plaintiff in the case at bar could not be considered objectionable in the absence of a finding that the plaintiff had refused or would refuse to grant an unrestricted license to any shoe manufacturer who chose to buy from some other source the materials used in reinforcing the insoles by the patented process. That is, if the plaintiff is prepared to grant an unrestricted license on a royalty basis to any shoe manufacturers who prefer to obtain the unpatented precoated duck and top coat elsewhere, it is difficult at first blush to see how the plaintiff would be doing anything wrong in furnishing the unpatented materials and inci-

> dental services at so much per web yard of duck to those shoe manufacturers who prefer to do business with the plaintiff on that basis."

But the Judge continued to say that he had examined the *brief* in *Leitch* v. *Barber* and found that it was there argued that the plaintiff was

> "not shown to have refused to grant any license under the patent, much less granted any license conditioned on purchase of emulsion from it";

and that the argument was to no avail in this Court.

We respectfully suggest that Judge Magruder's first thought on this subject was correct, and that there is nothing in *Leitch* v. *Barber* to require, or to justify, any change in that view.*

The argument was, it is true, made by the Barber Company that it was not shown ever to have refused a license under its patent; and, again, it is true that this Court made no mention of the argument in its opinion.

But it would have made no difference in the decision of that case whether the Barber Company had ever refused such a license under its patent or not; for the Barber Company, by bringing suit against a competitor which did nothing but sell unpatented materials, was "ignoring the limitation inherent in the patent grant", and using the patent as a means of suppressing competition in unpatented articles "without sanction of law"; and this was the ground of the decision.

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* Apparently defendants, at least when they filed their answer, entertained Judge Magruder's *first* thought on this matter, since the answer (Tr. p. 17) accused plaintiff of "*refusing* to issue licenses under the process patent", etc.

THE RULE OF REASON.

The Court of Appeals has interpreted the decisions of this Court in the *Leitch* and *Carbice* cases as if those decisions denied relief, even against a direct infringer or against one who actively abets and aids a direct infringer, if the patentee is engaged in selling materials for use in the practice of his patented invention and cannot show that he has granted licenses on a royalty basis to the interested trade.

We deny, of course, that the *Leitch* and *Carbice* decisions lay down any such rule, for the reasons above set forth.

But if any such principle as that assumed by the Court of Appeals is to be found in those decisions, it must be a principle which is subject to the "rule of reason", and which is not to be arbitrarily applied without regard to the situation presented in a particular case. Such a rule certainly cannot be applicable where the plaintiff's course of business is in the public interest or is dictated by practical necessity, or where that course results in no substantial tendency toward monopoly.

In the present case there is uncontradicted evidence to the effect that the course of business which the patentee has adopted is the only practicable course which it could have adopted if it was to put the invention into use at all (*supra*, p. 7, Tr. p. 81). There was no such evidence in the *Carbice* or *Leitch* cases.

In the present case, moreover, it affirmatively appears that no shoe manufacturer has ever asked for a license under the patent in suit, which is, obviously, a sufficient reason why no licenses to shoe manufacturers have been granted; and there is undisputed evidence further to the effect that shoe manufacturers do not wish, and cannot be expected to accept, the burden of royalty-bearing licenses under a patent of this sort (Tr. p. 80, Q 7). Again, there was no such evidence in the *Carbice* and *Leitch* cases.

Certainly this plaintiff has done nothing which by any stretch of the imagination could be regarded as illegal or against public policy. On the contrary, what it has done has been in the public interest.

It has merely promoted the use of its patented process in the only way open to it, by precoating, drying, slitting and packaging duck at its own factory, preparing suitable adhesives and machines for use in conducting at shoe factories those steps which could be performed only at the shoe factories, supplying to shoe manufacturers these materials and machines and giving instructions to operators and advising and assisting in the reinforcing operations.

Obviously, all this was in the interest of the public and not against public interest; it was in the interest of the public that shoe manufacturers should have the benefit of a process which defendant Ellis himself testifies is "a great improvement over anything that had been available" previously (Tr. p. 155, XQ. 99).

The Court in the *Carbice* decision said (283 U.S. at 34) that

> "The present attempt is analogous to the use of a patent as an instrument for restraining commerce which was condemned, under the Sherman Anti-Trust Law, in *Standard Sanitary Mfg. Co.* v. *United States*, 226 U.S. 20."

And in an accompanying footnote the Court said (p. 34):

> "In such cases the attempt to use the patent *unreasonably* to restrain commerce is not only beyond the scope of the grant, but also a direct violation of the Anti-Trust Acts."

Thus, the Court in the *Carbice* case plainly recognized what is, of course, the law, that not every act which is theoretically a restraint of trade is a violation of the Anti-

Trust Acts (see *United States* v. *American Tobacco Co.*, 221 U.S. 106 at p. 179). It is only to cases where an unreasonable restraint of trade, as distinguished, for example, from normal and usual contracts, is shown, that the Anti-Trust Acts apply.

Similarly, the Clayton Act, Sec. 3 (U.S.C. Title 15, Sec. 14), relating to "tying clauses" attached to leases, sales or contracts for sale does not indiscriminately prohibit such clauses, but prohibits them only where the effect of such lease, sale or contract for sale may be "to substantially lessen competition or tend to create a monopoly in any line of commerce".

Certainly, the principle of the *Leitch* and *Carbice* decisions is similarly subject to the "rule of reason"; and tested by the standard of reasonableness of the plaintiff's conduct, it is certain that no act of the present plaintiff brings it within the condemnation of that principle; nor is there any evidence to show that the grant of the relief prayed for would substantially lessen competition or tend to create a monopoly of any sort other than that expressly conferred by the plaintiff's patent under the patent laws.

THE CONFLICTING LOWER COURT DECISIONS AS TO THE EFFECT OF THE CARBICE AND LEITCH CASES.

It is not profitable to analyze in detail the numerous decisions which have been rendered by the various Circuit Courts of Appeals since the decisions in the *Carbice* and *Leitch* cases. It is sufficient to say that the lower courts have attempted to apply the doctrine of these cases as they understood it, without question and without analysis of the legal principles involved.

In seeking to apply the doctrine, they have taken widely conflicting views.

Some Courts of Appeals decisions have taken the view for which we contend,—the view that the *Carbice* and *Leitch*

decisions have no applicability except to cases where the defendant has done nothing more than sell unpatented articles.

Thus, in *J. C. Ferguson Mfg. Works* v. *American Lecithin Co.*, 94 Fed. (2d) 729, the Court of Appeals for the First Circuit, after discussing the *Carbice* and *Leitch* decisions, interpreted them as follows (p. 731):

> "Under the law as it now stands it seems clear that a patent on a process, a product, or a 'composition of matter', may not be extended, under the doctrine of contributory infringement, *to monopolize the sale of unpatented staple material,* used in such product, process, or composition. Broad expressions as to contributory infringement used in earlier cases relied on by the plaintiff must now be read with the *Carbice* and *Leitch* cases in mind."

Also, in *Johnson Co.* v. *Philad,* 96 Fed. (2d) 442, the Court in the Ninth Circuit held the doctrine of the *Leitch* case applicable only where the acts complained of consisted merely in the sale of unpatented staple articles.

And the Court in the Second Circuit in *Philad Co.* v. *Lechler Laboratories,* 107 Fed. (2d) 747, although disagreeing with the Court in the Ninth Circuit as to the pertinency of the fact that the materials sold were not staple articles of commerce, said of the doctrine of the *Carbice* and *Leitch* cases (p. 748) that

> "The rule was laid down broadly that where the owner of a patent sought by means of it *to control the supply of unpatented materials* used in applying the invention, no relief would be given in a suit for contributory infringement *against a concern which sold the unpatented materials to the trade.*"

Other Court of Appeals decisions have held, contrary to

the view we have expressed, that the doctrine of the *Carbice* and *Leitch* cases is not limited to cases where the defendant merely sold unpatented materials, but applies even to cases of direct infringement.

Such was the holding of the Court of Appeals for the Seventh Circuit in *American Lecithin Co.* v. *Warfield Co.*, 105 Fed. (2d) 207.

Such also was the holding of the Court of Appeals for the Third Circuit in *Barber Asphalt Corp.* v. *LaFera Grecco Contracting Co.*, 116 Fed. (2d) 211 (affirmed on rehearing Goodrich, J. dissenting, 116 Fed. (2d) 216). To similar effect is *Dehydrators Ltd.* v. *Petrolite Corp., Ltd.*, 117 Fed. (2d) 183 (C.C.A. 9th).

While this latter group of cases are, in our view, erroneous for the same reason as the decision of the Court of Appeals in the present case, in that they assume that the doctrine of the *Carbice* and *Leitch* cases extends beyond cases where the defendant's acts consist merely of the sale of unpatented materials, they are, nevertheless, distinguishable from the present case on lines having to do with the *plaintiff's* conduct.

In the *Carbice* case (and the same was true in the *Leitch* case) the patent owner did nothing whatsoever, by way of exploiting its patent, other than to engage in the sale of unpatented supplies; and, as the Court pointed out in the *Carbice* case, 283 U.S. at page 31 and at page 34, the plaintiff's position was thus unlike that of the plaintiff in *Leeds & Catlin* v. *Victor Talking Machine Co.*, 213 U.S. 325, 333 (which the Court said was "an ordinary case of contributory infringement"), and like the position of the plaintiff in the *Motion Picture* case, 243 U.S. 502, 515, in that the plaintiff in the *Carbice* case was seeking to derive its profit not from the inventions on which the law gave it a monopoly but from the unpatented supplies which it sold.

The same situation prevailed in *American Lecithin Co.* v.

Warfield Co., supra, and in the other Court of Appeals cases in which the patent owner was denied relief against direct infringers.

But in the present case, on the contrary, the plaintiff carries out at its own factory two of the steps of the process disclosed in the patent preparatory to those recited in the claim in suit, namely, the precoating of the duck and the slitting of the precoated duck; and, through its experts and service men, advises and assists the shoe manufacturers in performing those steps of the process which must, in the nature of the case, be performed at the shoe factory (*supra*, p. 7). And plaintiff's compensation in this case takes the form of a single charge for all plaintiff's services, assistance and materials, including, of course, a compensation for the use of the patented invention.

> "The compensation was fixed as a single charge based on so much per web yard of precoated duck supplied by the plaintiff. If, as seems to be the fact, this charge was somewhat higher than the similar charge made by the defendants, it is to be remembered that the plaintiff had something to sell which the defendant could not give, namely, the right to practise the patented process." (Magruder, J., Tr. p. 275.)

Thus the decisions in the group last above mentioned, notwithstanding that they hold the principle of the *Carbice* and *Leitch* cases not limited, as we believe it to be, to cases where the defendant merely sells unpatented materials, are quite distinguishable from the present case as regards the *plaintiff's* course of business. Plaintiff here is seeking to derive its income from the invention on which the law gives it a monopoly and not from a mere sale of unpatented supplies.

THE CASE OF MORTON SALT CO. v. G. S. SUPPIGER CO.

The order granting certiorari herein (Tr. p. 279) provides that this case is to be argued immediately following the case of *Morton Salt Co.* v. *G. S. Suppiger Co.*, a case in which a writ of certiorari to the Court of Appeals for the Seventh Circuit was granted.

We have no thought of attempting to argue the merits of the *Suppiger* case.

However, as we understand the *Suppiger* case (117 Fed. (2d) 968), it does not involve the doctrine of the *Leitch* and *Carbice* cases, although those cases were mentioned in the decision of the Court of Appeals.

The case was altogether different on its facts from the *Leitch* and *Carbice* cases.

In the *Leitch* and *Carbice* cases the defendants were merely selling unpatented materials to others for use in the construction of a patented combination or in the conduct of a patented process, and the plaintiffs were exploiting their patents only by the sale of unpatented materials for such use.

In the *Suppiger* case the suit was brought against a machine manufacturer because this manufacturer was alleged to be manufacturing machines covered by the plaintiff's patent. The suit was not based upon any sale of unpatented materials to be used in the manufacture of the patented machine, nor even upon any sales of salt tablets for use in the patented machine.

And the plaintiff was not exploiting its patent by selling unpatented materials to others for use in the construction of its patented machines; it was itself manufacturing those machines.

The defense set up was that the plaintiff could not maintain the suit because it had made it a practice to include in the leases of its patented machines provisions requiring

the lessee to use exclusively with these machines salt tablets obtained from the patent owner; in other words, that the plaintiff had attached "tying clauses" to its leases whereby it sought to obtain a monopoly on the sale of supplies to be used with the machines; and in support of this defense the defendant-appellee, as the Court remarked (p. 971), "particularly relied" upon Section 3 of the Clayton Act. The case is, and was treated by the Court of Appeals as, a case involving the Clayton Act. The questions raised are, as we understand them, first, the question whether any violation of the Clayton Act was shown on the record presented to the Court for summary judgment, and, second, the question whether, if so, violation of the Clayton Act is a defense to a patent suit.

In the *Suppiger* case, if the defendant had obtained or was seeking to obtain a monopoly in unpatented materials, it was not in any way using *its patent* in that effort, but was using the "tying clauses" in its leases. For the purpose of the "tying clauses" it was immaterial whether the machines were patented or not patented.

In the present case no question arises under the Clayton Act; and there is here, of course, no such fact situation as existed in the *Suppiger* case. In the present case it is found that

> "Neither by notice or by agreement in any form with its customers did it [plaintiff] require them to use only plaintiff's material." (Finding 11, Tr. p. 25; Opinion, Tr. p. 264.)

CONCLUSION.

If this Court should hold that we are wrong in our view that there is nothing in the *Leitch* and *Carbice* decisions to justify the action of the Court of Appeals in denying relief in the present circumstances there would arise the important practical question as to what the plaintiff can do to

remove the disqualification which the Court of Appeals has held it to have brought upon itself.

Under the decision of the Court of Appeals it could remove this disability by granting licenses to shoe manufacturers on a suitable royalty basis, and this it has stated in open court that it would be willing to do (Opinion, Tr. p. 274 (3)).

But the uncontradicted evidence is that shoe manufacturers can not be expected to take such licenses. If shoe manufacturers decline to accept such licenses, *must plaintiff, in order to be able to enforce its patent right, adopt the alternative of "laying the patent on the shelf" and refrain in future from supplying to shoe manufacturers materials, machines or services for use in the practice of the process, it appearing that there is no feasible third course?*

We realize that this question is not, strictly speaking, an issue in this case. It is a question, however, which would be of profound interest to this plaintiff should the decision of the Court of Appeals be affirmed, and also a question which would, in that case, be of profound interest to patent owners generally and to the patent bar.

We respectfully suggest, however, that the question above stated should not arise, because the Court of Appeals was in error in denying plaintiff relief herein.

We have, we think, shown conclusively that the rule established in the *Leitch* and *Carbice* decisions is merely the rule that a patent owner who is himself doing nothing more by way of exploiting his patent than to sell unpatented materials, and who seeks, under guise of a suit for contributory infringement, to enjoin a competitor whose only offense is that he, too, sells such unpatented materials, is using his patent without sanction of law to suppress competition in unpatented materials, ignoring the limitations contained in his patent grant, and, therefore, cannot prevail.

We have further shown that that principle is entirely in-

applicable to the present case, where the plaintiff is suing for a true patent infringement, found by the Courts below to exist, and where, although it happens that the defendants, in conjunction with their infringing acts, have supplied certain unpatented materials to shoe manufacturers, their offense is not any mere sale of unpatented materials, but, on the contrary, instigation, promotion and supervision of acts of infringement by the shoe manufacturers whom they have induced to employ their infringing process and with whom they are cooperating in the conduct of that process.

We have further shown that any reading of the doctrine of the *Leitch* and *Carbice* cases which would make it apply to cases of real patent infringement, such as this case is (whether the infringement be termed direct or contributory is immaterial), goes far beyond the decisions of this Court in those cases, neglects the plainly stated reasoning of those decisions, and carries the doctrine to limits which are untenable on any sound legal principle.

We respectfully submit that the plaintiff is entitled to the relief here sought, an injunction against patent infringement by the man who sold the plaintiff the patent and then sought to evade it, and who has been definitely held by the Courts below to be an infringer.

Respectfully submitted,

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